— News in brief —

Gray Drug Fair acquires 3 new stores

CLEVELAND—Gray Drug Fair has acquired two former SupeRx stores in Ravenna and Zanesville, Ohio, for an undisclosed amount of cash. Both stores contain approximately 10,000 sq. ft. of selling space. Gray Drug Fair has also acquired Your Pharmacy, formerly an independent drug store, in Davies, Fla.

Lehrman, D'Angelo lose election bids

NEW YORK—Republican Lewis Lehrman, former Rite Aid president, pulled more than 2.45 million votes in his quest for the governorship of New York, but lost to Democrat Mario Cuomo.

Cuomo garnered more than 2.6 million votes or 51% of those cast, to Lehrman's 48%. After his defeat, Lehrman said he planned to run again for office, but said he did not know what office he would seek.

In another election, Gregory R. D'Angelo, who owned a drug store on Long Island, lost his bid for a State Assembly seat to Democrat-Liberal Arthur J. Kremer.

D'Angelo, a Republican-Conservative, pulled nearly 11,000 of the 42,000 votes cast.

Rite Aid activates warehouse addition

NITRO, W. Va.—Rite Aid has begun using its new 63,000-sq.-ft. addition to the warehouse near Charleston, W. Va.

The addition brings Rite Aid's total warehousing space to 980,000 sq. ft. The space is divided evenly among the warehouses at Nitro; Shiremanstown, Pa., and Rome, N.Y.

Eli Lilly gets O.K. to market human insulin

WASHINGTON—The Food and Drug Administration gave Eli Lilly the green light to market a new biosynethic human insulin manufactured by gene-splicing technology, as a treatment for diabetes.

Because production of the new insulin product relies on recombinant D.N.A. technology and not on the availability of animal organs, F.D.A. officials predicted that the development of such drugs "would ensure a virtually limitless supply of products."

Federal drug regulators found that the chemical composition of the newly approved drug and its forerunner differed only slightly. In addition, clinical studies showed that the new biosynthetic insulin doesn't have "any therapeutic advantage over the most highly purified insulin of swine origin," F.D.A. added.

Although Eli Lilly told F.D.A. that it "intended to phase the new human insulin into the marketplace gradually," at press-time the manufacturer had yet to set a price or introduction date.

Anon opens Drug Emporium No. 2

DALLAS—Louis Anon opened his second franchised Drug Emporium store in the Dallas area. The 23,600-sq.-ft. store is in the Lakeridge shopping center at Kingsley and Audelia Street in North Dallas. The store features an upgraded cosmetics department.

Ted Canning has been appointed executive manager and Jonathan Frank has been named manager of the store, which opened Nov. 4. The store is open 9 a.m. to 9:30 p.m., Monday through Saturday, and 10 a.m. to 6 p.m. on Sunday.

Anon's first Drug Emporium unit is in Plano.

Kerr to add 8 to 10 new stores

RALEIGH, N.C.—Kerr Drugs plans to add eight to 10 new stores next year, according to Charles M. Maready, executive vp.

Most of the stores will be in new shopping centers that will be built in North Carolina, he said. The stores will continue to follow the chain's prototype of 9,600 sq. ft.

The chain will finish 1982 with 34 drug stores.

Winner of Nostalgia Quiz #13 chosen

Brian Correia of Eckerd Drug is the $100 winner in *Drug Store News'* Nostalgia Quiz #13. The correct answer was Peoples Drug Stores, Sheldon W. Fantle. Nostalgia Quiz #16 can be found on page 20 of this issue.

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Vol. 4, No. 25 November 29, 1982

Status of MIS specialists enhanced by electronic age

ORLANDO, Fla.—The exploding complexity of computer information is thrusting chain drug information systems directors into the executive suites of the decision-makers.

That was the consensus of management information systems directors and vps attending the National Association of Chain Drug Stores' annual MIS conference here.

Carol Eastin: The whole management of information systems is going to become much more encompassing.

Gary Pradarelli: The MIS-vp is equipped to monitor, report, predict . . . to manage change.

The MIS specialists said they are being drawn increasingly into the roles of advisers to top execs, whose appetite for easy-to-understand computer information relating to operations, merchandising and distribution has grown enormously in recent years.

"People here have been talking about a trend for the MIS director to be renamed the chief information officer who reports directly to the ceo," observed Carol Eastin, vp information services at Osco Drug, Oak Brook, Ill., and chairman of the MIS conference.

"Relatively little work is being done in the accounting arena anymore," she said. "Most of the attention is being paid to merchandising, operations, distribution and pharmacy."

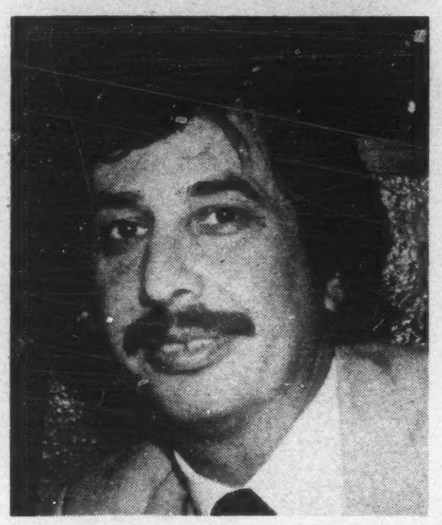
Glen S. Tarsha, corporate vp-MIS at Peoples Drug Stores, Alexandria, Va., agreed that the MIS focus had shifted from financial spread sheets to other areas of the business.

"It used to be that about 70% of MIS was devoted to financial systems," Tarsha said. "Now it's only about 20%. The remaining 80% is concerned with store systems, inventory and distribution systems. Ultimately store systems may be the biggest single user of MIS resources."

Ink spots are gone

Tarsha also agreed that the role of the MIS director had expanded greatly in the past decade. "He's gone from ink spots on the shirt to a very high level within the organization."

At Peoples, he said, the reason for elevating the role of the MIS director has been the importance the chain places on information as an asset to the corporation.



Glen Tarsha: The ceo is not going to learn the data processing business.

Bob Ramsden: Our industry is becoming more sophisticated in the area of managing information.

Tarsha said the change had also led to a different approach to hiring candidates for MIS departments. He said he was looking now for a new breed of recruit who had not necessarily

Continued on page 31

Post-tampering Halloween candy sales go bump on the bottom line

NEW YORK—Halloween candy sales plummeted as much as 50% in chain drug stores across the nation as parents, terrified by horror stories of razor blades and poison inserted into candy, curtailed their youngsters' traditional door-to-door trick-or-treating.

This Halloween could be called a nightmare for many of the largest chains, according to a *Drug Store News* survey.

At Walgreens, for example, sales of bagged candy (normally the largest selling form of Halloween treats) were down 20% from last year.

That percentage was approximately equal to the decline in candy sales in Chicago, where the wave of product tampering was kicked off by the Tylenol tragedy.

However, Chicago sales were not the worst in the nation. In nearby Michigan, Halloween candy sales declined up to 25% at Perry Drugs. "Consumers were apprehensive about buying candy to give out to children so sales were adversely affected," says a spokesman for the chain.

Cross-merchandised children's costumes showed surprising strength considering the dramatic decline in sales of sweets. "Costume sales were about even with last year because many adults held Halloween parties for kids at home, so they still dressed up," the Perry spokesman explains.

According to industry sources, Halloween candy sales in Florida, particularly in Miami and Tampa, fell 50%. It was no treat in Texas either where candy sales in Houston dropped 30% compared to a year ago.

At Page Drugs in Dallas, seasonal candy sales were off considerably in comparison with sales for the same stores a year ago. "There was very little trick or treating because there was so much media coverage telling people to be cautious," says Robert Corn, executive vp and general manager for the chain.

Children's costume sales at Page didn't match Perry's. They were "very rough this year and in some parts of town it was just horrible," says Corn. While kids' costume sales were off about 25%, items for adults were moving. "We did well selling capes to adults, masks and Halloween make-up," Corn says. "There's no doubt about it, we will buy much more cautiously next year," he adds.

Parental fear of tampering was evident from candy sales results at Fay's Drugs in New York.

According to Fay's chairman and ceo, Henry A. Panasci Jr., "We got stuck on candy, but not on costumes. The only reason we had to mark down the candy was because we had so much of it left over—in excess of 25%," says Panasci. "In the past, we have always sold out on Halloween candy. This is the first year we have had any carryover," he adds.

Costumes thrive

However, other seasonal items such as costumes, masks, pumpkins and novelty items were a complete sell through at Fay's. "Licensed costumes were superb, like E. T. and Smurf," says Panasci.

Under Fay's format, excess Halloween candy is now the promotional item being used to draw customers into the store. "If it wasn't candy, it might be paper towels, so this works out well for us," says Panasci.

Fortunately for this retailer, only 10% of its candy mix was seasonal (corn candy, orange and black jelly beans and peanut butter kisses in orange and

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Fay's to join N.Y. stock exchange

LIVERPOOL, N.Y.—Fay's Drug will join a number of other major American drug store chains on the New York Stock Exchange early next month.

Barring any negative and unforeseen circumstances, the 90-store chain's application for membership in the N.Y.S.E. should be approved sometime next month, Fay's chairman and ceo Henry Panasci said.

"We're following our directors' decision to do this, basically because of the increased visibility it will provide our company," Panasci said.

Fay's Drug first went public in 1969, and traded on the OTC market until 1975, when it joined the American Stock Exchange. The company's stock, on Nov. 11, closed at 19⅜.

PHARMACY

McNeil leads analgesics for Oct.

ARLINGTON, Tex.—Retail margins on analgesics dipped nearly six percentage points since October 1980, while the market leader, McNeil, registered the only margin increase in the updated figures.

July 1982 figures for the top 25 prescription analgesic products, as well as the entire market, were released recently by the marketing research firm, Decision Data.

The average price of analgesic prescriptions rose 16% to $8.53 while the average price in the top 25 group jumped 18% to $8.66. McNeil's Tylenol with Codeine 60mg declined in script price, but this was probably due to the simultaneous drop in the average quantity of Tylenol dispensed. On a per unit basis, the price did increase slightly.

McNeil, representing a 35.4% share of the retail prescription analgesic market, introduced Zomax since the last Decision Data survey was compiled. Consequently, market share points for many of the top products have suffered share point declines.

This, however, was not true of newer products: Zomax captured more than 8% of the analgesic market in its young life of retail competition. And Anaprox grabbed a 2% share.

Products gaining market share points in the July 1982 survey included McNeil's Tylenol with Codeine 30mg, 60mg and Tylox Caps; Lilly's Darvocet-N 100mg and Darvon Compound 65 Pulvules; Wyeth's Wygesic, and Fiorinal tablets by Sandoz.

The remaining 13 products in the top 25 experienced a decline in market share. Most notable was the drop by generics such as A.P.C. with Codeine 30mg, propoxyphene compound-65 and acetaminophen with codeine 30mg. These losses were further reflected in the gains by their respective brand name counterparts such as Darvon Compound-65 and Tylenol with Codeine 30mg.

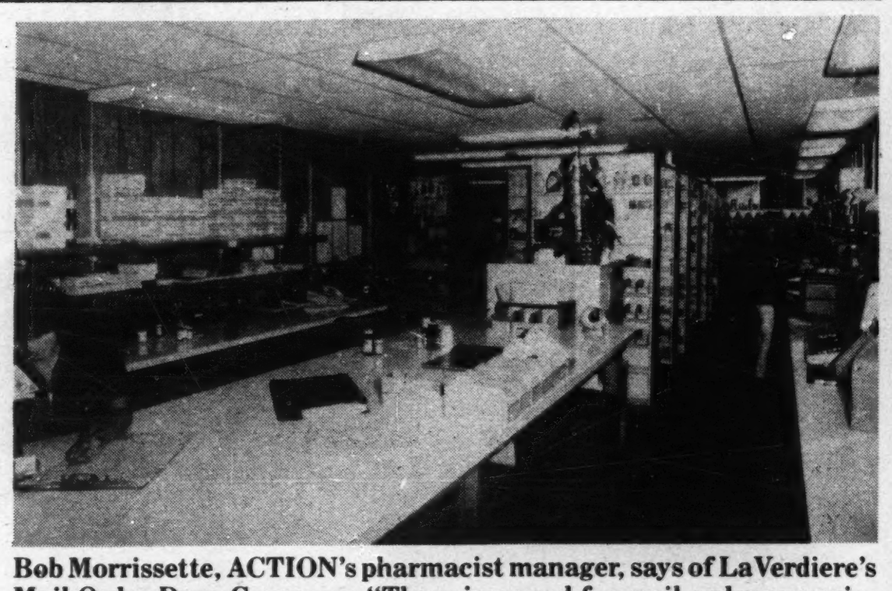
The two newest items, Anaprox by Syntex and Zomax by McNeil, registered the lowest retail per cent margins, 28 and 31 respectively.

Analgesic market trends, July 1982

Drug description	Manufacturer	% Retail market share 7/82	% Retail market share 10/80	Average $ price 7/82	Average $ price 10/80	% Retail margin 7/82	% Retail margin 10/80
Tylenol w/Cod. 30mg	McNeil	20.03	17.92	5.86	6.04	57	56
Darvocet-N 100mg	Lilly	12.72	11.06	10.23	8.20	35	41
Zomax	McNeil	8.34	N/A	12.57	N/A	31	N/A
Empirin Cpd w/Cod. 30mg	B-W	5.29	7.26	6.07	5.96	55	57
Percodan Tabs	Endo	4.63	5.55	9.01	7.88	44	49
Acetaminophen w/Cod. 30mg	Generic*	3.60	4.39	5.26	5.34	56	58
Tylenol w/Cod. 60mg	McNeil	3.35	2.71	10.74	11.08	40	37
Fiorinal Tabs	Sandoz	3.27	3.34	8.24	6.61	42	48
Talwin Tabs 50mg	Winthrop	2.99	2.88	14.61	10.40	37	38
Darvon Cpd-65 Pulv	Lilly	2.80	3.94	8.69	6.92	43	46
Fiorinal w/Cod. #3	Sandoz	2.58	2.50	10.31	8.88	39	44
Synalgos DC Caps	Ives	2.51	4.55	7.95	6.99	50	51
Phenaphen w/Cod. #3	Robins	2.48	3.09	6.09	5.66	58	61
Anaprox	Syntex	1.75	N/A	14.57	N/A	28	N/A
Equagesic Tabs	Wyeth	1.66	2.25	10.46	9.56	37	38
Fiorinal Caps	Sandoz	1.61	1.75	7.66	6.77	47	51
Percocet-5 Tabs	Endo	1.52	0.95	10.44	8.49	37	44
Wygesic Tabs	Wyeth	1.45	1.32	8.68	7.37	42	48
Tylox Caps	McNeil	1.41	1.31	8.37	7.12	45	53
Tylenol w/Cod. 15mg	McNeil	1.25	1.44	5.48	5.36	60	62
Empirin Cpd w/Cod. 60mg	B-W	1.13	1.51	11.84	11.29	35	35
Tylenol w/Cod. liq.	McNeil	1.02	N/A	7.72	N/A	47	N/A
Propoxyphene Cpd-65	Generic*	0.85	1.20	5.88	4.84	58	63
A.P.C. w/Cod. 30mg	Generic*	0.84	4.54	7.30	6.63	49	54
Darvon-65 Pulv	Lilly	0.80	1.07	8.49	7.56	44	46
Top 25		89.9	88.1	8.66	7.12	42	49
Other		10.1	11.9	7.39	7.37	46	45
Total		100.0	100.0	8.53	7.15	43	48

*These include all prescriptions dispensed with other than nationally promoted brands. All margins are based on AWP prices.

Source: Decision Data



Bob Morrissette, ACTION's pharmacist manager, says of LaVerdiere's Mail Order Drug Company: "There is a need for mail-order prescriptions because there are a lot of rural towns in the area that aren't being serviced by drug stores."

Mail order script sales keep coming at LaVerdiere's

WINSLOW, Me.—One pharmacist + eight aides + a pharmacy constructed in a corner of a distribution center + a mail order service = several hundred scripts a day.

That's LaVerdiere's formula for the success of its ACTION Mail Order Drug Co.

Started in 1976 at the same time the 51-store chain introduced its ACTION private-label brand OTCs, the operation has quadrupled its physical size in three separate expansions.

Today, such attractive features as low prices, free postage (up to 3 lb.), no membership fees, same day service and a catalog featuring H&BA and vitamins continue to expand the operation's mail order as well as walk-in business.

The only charge added to the price of a mail order script is a 25¢ fee (not a per script charge) to cover the cost of a package.

Bob Morrissette, R.Ph., ACTION's pharmacist manager, explained how the service can afford these features: "ACTION accepts no third-party scripts of any kind. The policy for payment in our pharmacy is cash, 30-day charge and Visa and Mastercard only."

Policy result

The result of this strict policy is a fluid cash flow which allows the company to offer prices lower than most mail order prescription companies and, Morrissette hopes, below any other drug store. Being located in LaVerdiere's central distribution center also eliminates the usual shipping costs for items sent to store pharmacies as well as the need to carry large inventories.

To stimulate even greater growth, ACTION began running 30-second television ads in April this year. The spots featured low, low prices and speedy prescription turnaround.

"This campaign improved our daily script volume by 30%," explained Morrissette.

The TV spots, which run during slow months or in conjunction with printed material distribution, announce the toll-free number in Maine for physicians and patients. This number can be used for ordering anything by mail.

"Recently we sent out our first four-page mailer featuring ACTION brand H&BA items at regular LaVerdiere's prices and the private-label vitamins at ACTION's cut prices," said Morrissette.

The packet

An ACTION packet, sent to all new customers and available in LaVerdiere's stores that do not have pharmacy departments, includes miscellaneous literature introducing Rx customers to the service. A business card, envelopes for send-

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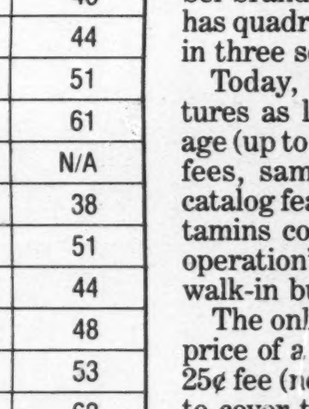
Drug maker's dilemma: doctor's wrath vs. OTC sales

Joseph Caputo, RPh
Pharmaceutical Editor



What do you do if you are a drug manufacturer caught between consumer groups that want more prescription products converted to over-the-counter status, but everytime a switch is made the result is fewer patient visits to your prime customers—doctors?

Pharmaceutical marketers face just such a situation throughout the United States as they seek approval from the Food and Drug Administration to transfer more drugs from prescription to OTC availability.

Marketing research surveys have proven that more units are sold, but at lower consumer prices, following OTC conversion.

Pharmaceutical companies recognize that OTC status and revised labeling may tempt consumers to self-medicate. So the firms have developed a communication strategy aimed at minimizing consumer risks. The strategy should also reduce physicians' concerns over declining office visits.

The companies' solutions to this apparent dilemma hinge on direct communication between manufacturer and patient.

Indeed, drug manufacturers are communicating directly with consumers more and more about a variety of subjects. There are advertising and public relations campaigns on such topics as PMIs (patient medication inserts distributed by physicians but underwritten by manufacturers), booklets about selected chronic pathological conditions (such as hypertension, diabetes and asthma) and cable television/radio spots on the dangers of self-diagnosis. And I'm told this is only the beginning.

Manufacturers recognize the issues and the problems that could result if physicians were to become angered over OTC conversions. For one thing, doctors could always stop writing scripts for a marketer's prescription products.

To minimize this possible adverse reaction, each of the programs mentioned above stresses the importance of the physician as the star player on the health care team. As more and more products go from prescription to OTC status, these programs warn consumers not to self-diagnose. Instead, consumer audiences are told to ask their physician—and at times their pharmacist—for health-related advice.

In my opinion, the goals of these programs are excellent, but the programs could be further improved. For example, ad copywriters should be advised that pharmacists represent additional sources of information for consumers.

After all, pharmacists have been dispensing products that are now OTC as prescription drugs for a long time. By tagging commercials, "consult your physician or pharmacist," the third party affected by OTC conversions—pharmacists—would benefit.

CHAIN STORE AGE
MERCHANDISER

Shoppers pick medium-price sunglasses

Drug store sales of moderately priced sunglasses are relatively strong at a time when sunglass industry dollar and unit sales are falling.

Gray Drug Fair's Bonnie Garrett reports her chain's sales "are better than last year," while Longs Drugs' Bill Combs says customers have shown no resistance to buying medium-priced sunglasses.

After five years of steady dollar sales increases, 1982 sunglass sales are expected to decline 5% to 10% after a record $870 million in sales last year. Industry experts also forecast as much as a 5% drop after two years in which 86 million pairs were sold each year. In 1980, a record 91 million pairs were purchased retail.

But the bright note for drug retailers is that shoppers aren't hesitating to buy sunglasses priced in the $8 to $10 range, the kind most frequently sold in drug stores. According to one estimate, 42% of the sunglasses sold in drug stores are in the $8 to $9.50 range.

At Gray Drug Fair, buyer Garrett estimates her average sale for a pair of sunglasses was about $8.

Garrett says Gray Drug Fair sales were helped by good sunny weather in recent months and a frequent promotion program offering $2-off coupons. "We promoted sunglasses about five times during the summer."

She says selected styles sell well in both of the brands the chain stocks. "Gradient lens sunglasses were the best sellers and styles with photochromic lenses improved in sales this year." A greater percentage of her customers prefer metal frames than plastic ones, she adds.

Medium-priced sunglass sales in drug stores continue to increase despite sluggish industrywide volume in 1982.

Medium-priced sunglasses proved to be the most appealing to consumers in the South also. At Crown Drugs in Advance, N.C., sunglasses under $10 were the fastest movers. "We carried designer sunglasses from a major supplier that were priced in the $16 to $18 range, and they did only fair because they are overpriced for today's economy," says Ruben Johnson, vp for the chain.

Agreeing is Kerr Drugs' Bill Baxley, vp of marketing, who thinks drug stores can do well with sunglasses as long as they are priced under $12. He says a customer rarely selects a pair for more than $12 and estimates the average price paid by a Kerr customer at between $9 and $10 a pair.

At Sentry Drugs, buyer Sally Hayes says her average price is between $8 and $9. At this Detroit area chain, Hayes was able to sell through her summer inventory because of her "extremely conservative buying" this year. She estimates she reduced her stock level 15% in 1982 anticipating little recovery of Michigan's poor economy. "I may have been a little short on merchandise this year," she concedes, "so I'll increase next year's orders a bit." But she still won't buy the same amount as she did in 1981. "I want to come out clean for the fall," she adds.

Low inventory blamed

Sunglass manufacturers say one reason industry sales are off is because of low retail inventory levels. They point out that since sunglass purchases are a high impulse item, customers don't buy when there is little selection from a half-full rack. "If a rack is three-fourths full, customers will say to themselves that there is a lot of good stuff left so they'll buy a pair. But if the display is half full, they think the best pairs have been sold," a spokesman from a major supplier points out.

Other producers cite poor industry sales due to the economy and the fact

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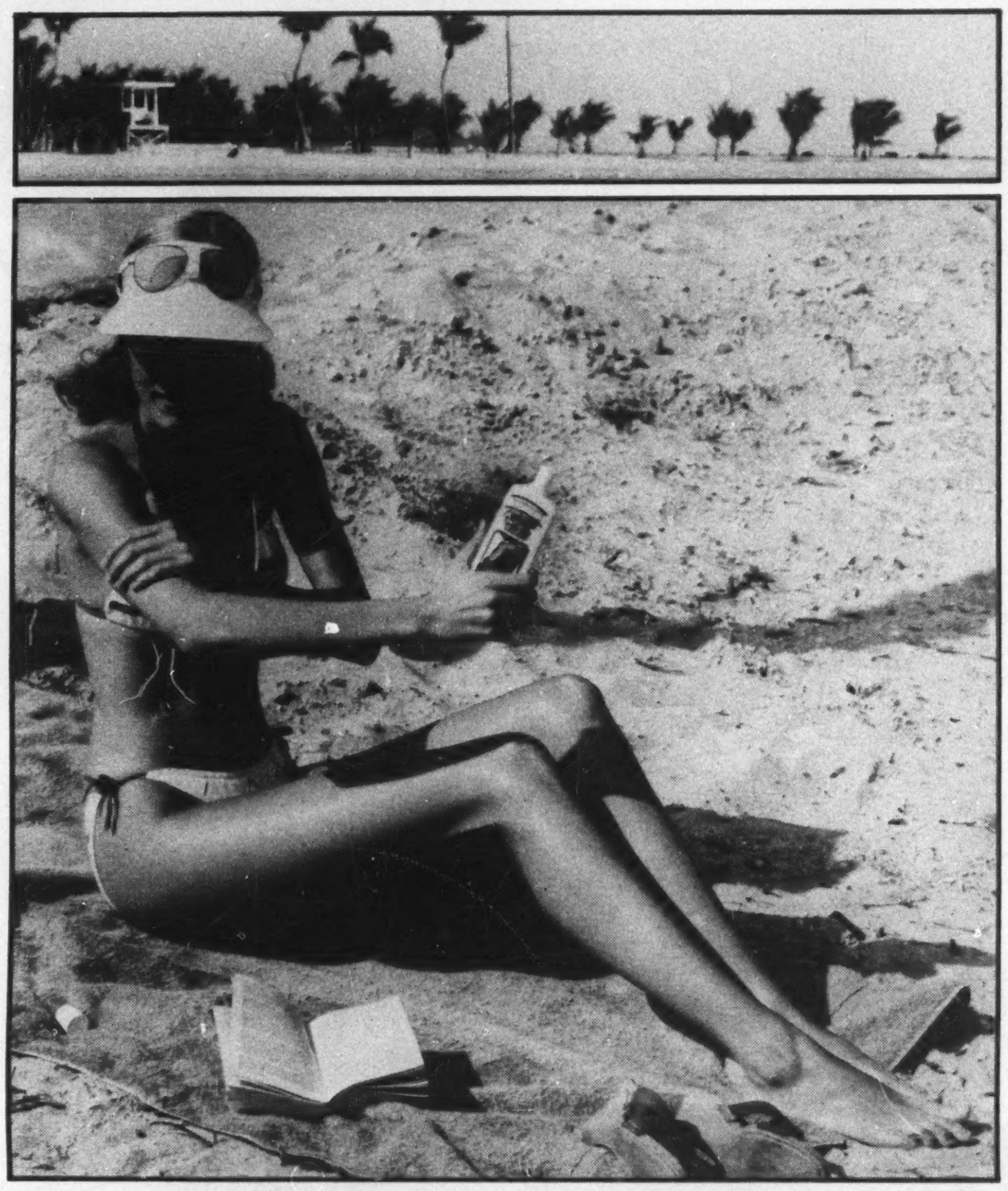
Sun blocker lotion sales shine



Drug store buyers say sales of sunscreen lotions are rapidly growing as Americans of all ages are becoming aware of the fact that the ill effects of overexposure to the sun are cumulative.

Skin types and how they burn

Skin type	Sunburn prognosis	Examples	Recommended Sun Protective Factor
I	Always burns, never tans	Irish, Scots, redheads	10 or more
III	Sometimes burns, always tans	Darker Caucasians	8-10
V	Rarely burns, tans well	Spanish, Asians, Indians	4

Source: *Drug Store News*

By Clifford Feng

High-level sun blocking lotions are quickly gaining market share and now account for as much as one-third of the suntan/sunscreen lotion market, drug store buyers say.

Increased consumer awareness about the dangers of skin cancer from too much sun worshiping has prompted consumers to shift from suntan creams with little sun block protection to products with moderate to high level sun protective factors. This past summer, retailers noted a surge in sales of sunscreens with a sun protective factor (SPF) of 8 to 15.

At Gray Drug Fair, merchandise manager Jerry Biarsky says one of the chain's best three skin care products was a sunscreen with an SPF 10 rating.

"We've noticed a trend of people buying more sunscreens because there has been so much media about skin cancer and how to prevent it with a sunscreen with a high SPF number," he observes. He estimates sunscreens account for about one third of category sales at Gray.

"We had excellent sales of sunscreens with an SPF 8 to 15," says Biarsky. "Our sales of low-level blockers with an SPF 4 were not nearly as strong since these products have about the same amount of sunblocking ability as a regular suntan lotion."

He adds, "It seems when people make the decision to protect themselves they buy a product that is more effective."

This past summer Gray drug stores devoted between 4 ft. and 8 ft. to the suntan/sunscreen category. In contrast, Drug Fair division stores allocated about 16 ft. to 24 ft. to the department.

At Kerr Drugs in North Carolina, buyer John Kerr reports his chain's customers specifically ask for products with a high SPF number. "A lot of customers are coming to our pharmacies with a specific brand of sunscreen with an SPF of 15 that their dermatologist recommended," says Kerr.

While sales this year were still heavily skewed to suntan lotions and oils, Kerr says the dominance these products once had is waning. "Sunscreens accounted for about 25% of our sales in 1981, but this last year they grew in percentage of sales," says Kerr.

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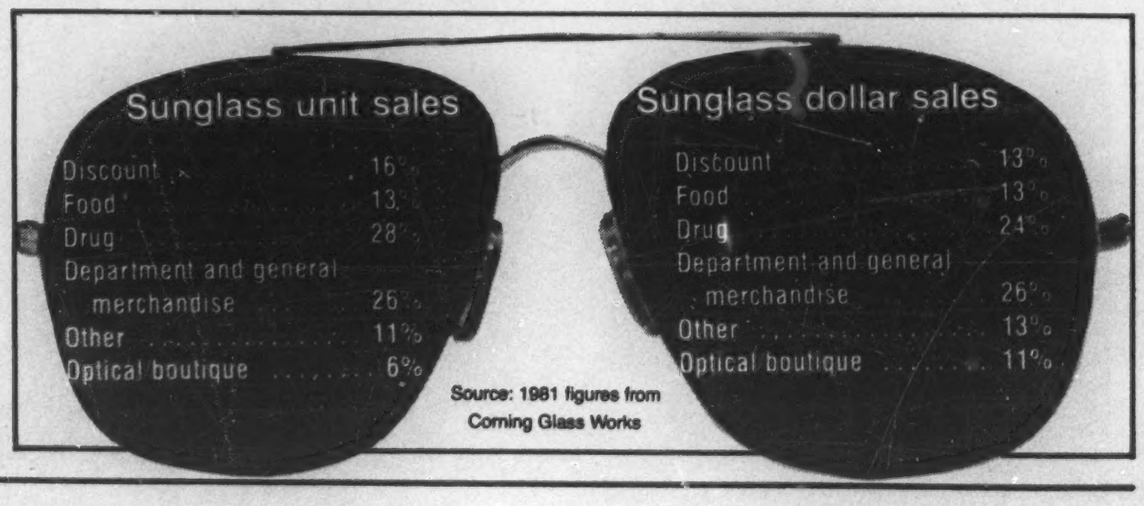

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CHAIN STORE AGE
MERCHANDISER

Retail sunglass sales (in millions)		
1977	$690	Average price per pair $7.27
1978	$770	Average price per pair $8.11
1979	$804	Average price per pair $8.84
1980	$828	Average price per pair $9.63
1981	$870	Average price per pair $10.12
1982	$800-$844*	

*Drug Store News estimate
Source: Corning Glass Works

Moderate-priced sunglass sales help cover unit drop

Continued from page 21

that consumers have fewer disposable dollars.

One chain that reported exceptional sunglass sales is Lewis Drugs in Sioux Falls, S.D., where category sales were up 20% over last year. During the summer, large Lewis stores carry five spinner racks of sunglasses.

"Our sales increased because we advertised and promoted them a lot more," says Doug Bablitch, sr. vp. He says the chain got good response to $3-off coupons. "The bulk of our sales were in the $8 to $12 range. People don't want to spend $15 to $20 on sunglasses nowadays," Bablitch observes.

Healthy local economy

At Kerr Drugs, Baxley says sunglass sales were up 5% to 10% over the previous year and the chain had a good sell through. He believes the healthy Raleigh economy, with thousands of state employees and a high number of university students, helped fend off a sales slump. But during the summer, he promoted sunglasses at half price to stimulate sales.

In the Midwest, Medicare-Glaser's David Massey reports good sales because of three major promotions which accounted for about 40% of the category's sales. This retailer also began its first sale in March, three weeks earlier than usual. The St. Louis area chain got excellent consumer response to a 50% off introductory sale in the spring. "We ran out of our initial inventory in three weeks," says Massey.

In addition to the March promotion, Massey ran a special on mirrored lenses in May and a Father's Day sale of men's sunglasses with photochromic lenses.

He planned a July promotion, but inventory was too low to sustain one so he cancelled it, he notes.

Results were not nearly as good for another Midwestern retailer. At Karad Drugs in Chicago, sunglass sales were off 15% to 20% compared to the year before. A spokesman says early rainy weather that lasted throught May and June was the main reason for the slump.

Fast-selling styles in men's sunglasses at Karad included metal frame glasses, expecially aviator styles. Since many of the Karad units are located in office complexes, fashion conscious female shoppers preferred plastic framed sunglasses with gradient lenses.

The chain also carried a limited assortment of designer sunglasses from a major supplier on its cosmetics counter. "We ordered a minimum amount and they sold out, but I still think they are too expensive for the drug store shopper," says the spokesman.

Sun block lotion sales shine

Continued from page 21

According to the sales projection of one manufacturer, sunscreens will account for about 40% of the market within two years. This same source forecasts that these products will account for half of the category's sales within five years.

This sunscreen growth rate may be on target as more and more Americans learn that sun exposure has a cumulative effect. The effects of repeated exposure to the sun over many years may not become apparent until a person is middle-aged.

According to the Skin Cancer Foundation in New York, which awards acceptance seals to sunscreens that conform to its sunblocking standards, one in four Americans will contract some form of skin cancer in their lifetime. The foundation estimates during the next decade some five million Americans will learn they have skin cancer and some 50,000 people will die from it.

At the same time, skin cancer is one of the most treatable forms of cancer.

Drug stores have the greatest distribution share of suntan and sunscreen products, according to suppliers, or about half the category's sales. Food stores have about 20% of the volume, mass merchants about 15% and other outlets, such as hotel gift shops, have about a 15% share.

At Kerr stores, a 4-ft. section is allocated to suntan lotions and sun blockers. This permanent display is supplemented in the summer with at least three secondary floor stands. Kerr positions its Suntan Center near the cosmetics department.

"We keep our department up all year round because we get winter sales from college students who go south. They prefer to buy it here rather than at a resort because it costs less," says John Kerr.

The chain's Jacksonville, N.C., store does a booming business in sunscreen products because of its proximity to a major Marine base, he says. "These soldiers are training all day long in the sun.

Kerr likes the fact that this category is easy to cross merchandise with other skin care products. "In our Suntan Center we put in hair depilatories, lip balm, baby oil and sunglasses along side suntan and sunscreen lotions," he says.

At Crown Drugs, Ruben Johnson, vp, says he does a good job selling baby oil during the summer. "During the last two or three years baby oil sales have climbed quite a bit," says Johnson. "People are using oil to keep their skin moist during suntanning and as an after tanning treatment."

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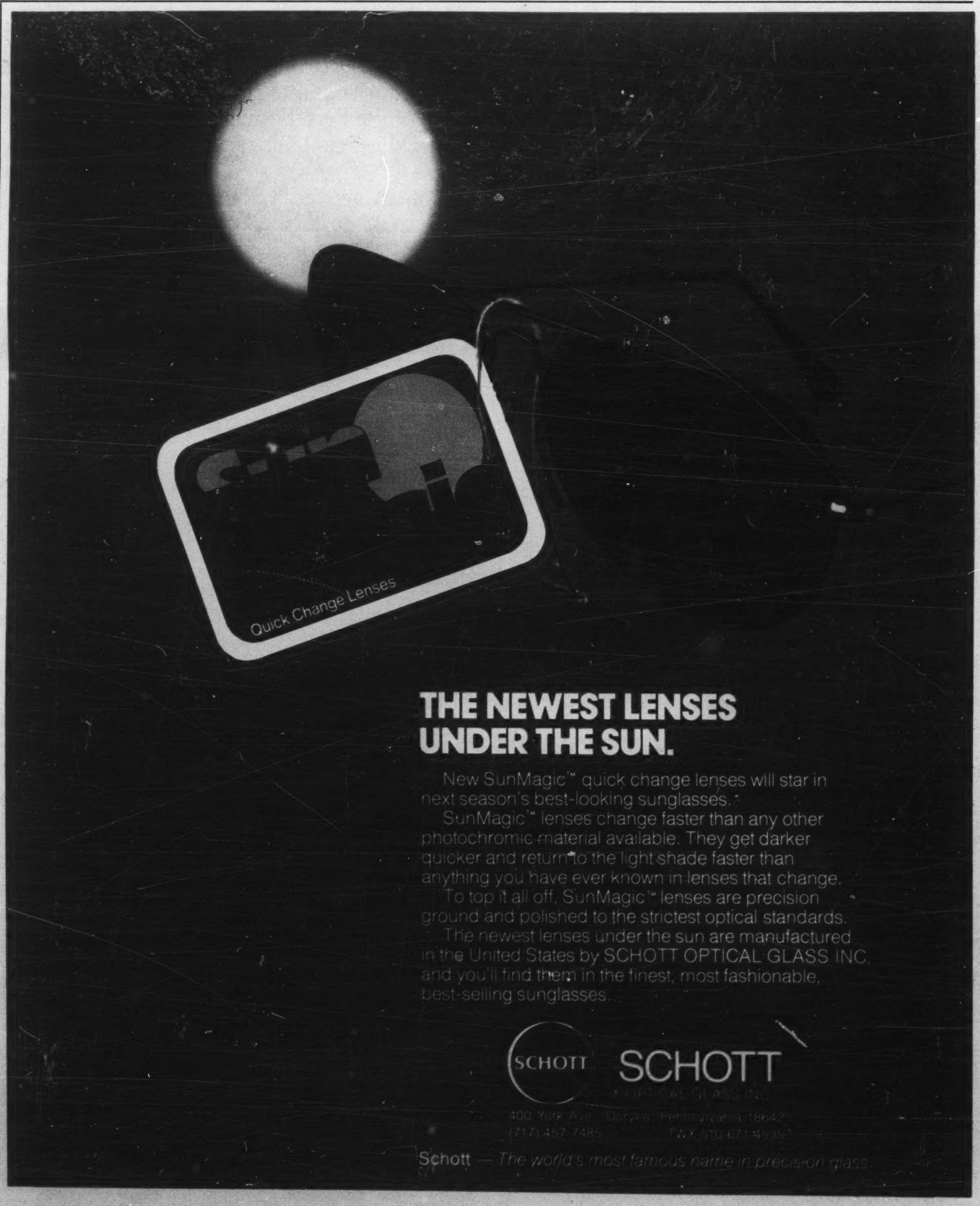
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DRUG STORE NEWS

Vol. 4 No. 26/Incorporating **CHAIN STORE AGE Drug Magazine** Published by Lebhar-Friedman Inc./December 13, 1982

Shopper, profit demands conflict
Chain retailers caught in inventory crossfire

See consumer study on page 25

NEW YORK—Chain drug retailers say the results of *Drug Store News*' 2nd Annual Consumer Survey coupled with the need to minimize inventory investment place them on a thin tightrope.

On one hand, the survey reveals that a rising number of consumers are looking for drug stores that are well stocked and carry a large selection. At the same time, the need to squeeze more profit dollars out of lower-inventory investment has forced chains to trim the breadth and depth of their product assortments.

Successful chains have already learned that an adequate merchandise mix is an essential ingredient in their delicate balancing act.

A Walgreens consumer survey, for example, agreed with

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Deep discount drug stores primed for 5-yr. growth spurt

By Faye Brookman

NEW YORK—While deep discount stores had their birth in the 1950's, it was in 1982 that the concept became firmly rooted in the drug store retailing marketplace. In fact, low-margin stores now generate about $450 million annually, or roughly 1.6% of total 1982 estimated chain drug sales.

Currently there are about 75 major off-price units, and growth is expected to accelerate in the next five years, sources report, to as many as 200 stores by 1987. At that time, expansion may reach a plateau as markets become saturated. Existing deep discounters will grab an even larger slice of annual retail drug sales, with an average unit reaching $8 to $10 million per year or $1.6 billion to $2 billion (based on 1982 dollars) in total volume per year.

Until now, deep discount stores have thrived by attracting shoppers desiring keen prices on mostly planned purchases. Thus, the main draw has been from supermarkets.

In fact, Rock Bottom on Long Island, N.Y., has an advertising pitch aimed at supermarket shoppers rather than chain drug stores. However, as pharmacy business grows and as the concept becomes more familiar, chain drug stores stand to lose some market share to low-margin units. Fear of this was evident this year when a few chains converted to a low-margin format or slashed prices to meet a nearby deep discount store.

This year was a year when many more retailers plunged into the deep discount waters, propelled, in many cases, by the limping economy. For example:

• Fisher Foods, cash-rich from the sale of a food division, diversified into the drug business with a low-margin drug store called Jax. Under the direction of Fred Barney, former president of Gray Drug, there is now a second Jax and plans for 12 more.

• Gray Drug Fair reacted to Jax by introducing its own form of discount drug operation with gross margins of 17% to 20%;

• F&M, the granddaddy of the low-margin business, added to its base of stores with the opening of its eighth unit in a new market, Indianapolis. This shrewd chain is well known in the industry for being successful at running this type of business in a chain format. F&M has also been successful in branching out of its home state; besides opening in Indiana, F&M has a unit in Toledo.

• Drug Emporium, Phil Wil-

Continued on page 58

Fay's set for 10-yr. expansion

By Allen Mundth

NEW YORK—Fay's Drug Co. has unveiled details of an ambitious 10-year growth plan that would more than double the upstate New York chain's store count and increase annual sales volume to $1 billion by 1992.

Addressing New York security analysts here last month, Fay's chairman Henry Panasci Jr., said the 10-year blueprint calls for:

• "Internally generated" growth to 220 stores producing annual sales volume of $1 billion;

• Average annual compounded sales growth of 16%, achieved by a 10% increase in stores each year, resulting in a 6% to 7% increase in sales;

• Gross profit margins averaging 25% and expenses equaling 20% of revenues, resulting in a 5% pretax profit margin or $50 million in pretax profits on projected 1992 sales of $1 billion.

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SupeRx adopts prototype for Fla. combos

NAPLES, Fla.—After two years of testing, SupeRx Drug has selected a newly opened 26,500-sq.-ft. unit here as the prototype for its rapidly growing Florida chain of SuperX food and drug super combination stores.

The new 24-hour combo is SupeRx's fifth in Florida and the second to be located on the Sunshine State's fast-growing Gulf Coast. The Kroger Food

Additional pictures on page 2

subsidiary, which operates 500 drug stores including 109 in Florida, expects to open up to a dozen more of the food and drug combos by 1984.

C. L. "Skip" Morris, regional vp of SuperX food and drug operation, describes the store as a series of small shops under a common roof.

In addition to traditional drug store and supermarket mer-

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Traditional drug store merchandise accounts for about 30% of the square footage in SuperX's new prototype food/drug combo. The remainder of the space is devoted to food.

LATE NEWS

CLOSING UNPROFITABLE STORES and holding the line on expenses has boosted net income 63.4% at American Stores for the quarter ended Oct. 30. Third-quarter net earnings for the Salt Lake City-based food and drug retailer jumped to $15.7 million, or $1.32 per share, from $9.6 million, or 69¢, for the equivalent quarter last year. Sales for the same period increased 3% to $1.82 billion from $1.76 billion. For the three quarters ended Oct. 30, net income was $52.5 million on $5.53 billion in sales, up from $32.9 million in net income on $5.21 billion in sales for the first three quarters last year. Since the beginning of the year, American Stores has closed 57 stores, the bulk of them Acme supermarkets in the East, according to Richard L. Shanaman, executive vp.

Sav-On to test checkout scanner

ANAHEIM, Calif.—Sav-On will become the first drug chain to develop and finance its own checkout scanning system, when it begins to test grocery-type equipment in one of its Anaheim stores next May.

The equipment (I.B.M.) will arrive at Sav-On headquarters the first of January and will be tested at chain headquarters in February and March, before being installed in the store. The test store, which has seven checkstands, is 1½ miles from Sav-On headquarters.

Until now, the major objections to scanners in drug stores have been twofold: Only 50% of the inventory is UPC-coded, and ther is inadequate space for the UPC bar code on small-sized items.

Studies by Sav-On indicated that although only 50% of drug store items are UPC source-coded, they account for 70% of the merchandise going through the checkstands. For the remaining 50% of the merchandise, Sav-On will use its own price stickers and a three-digit category code. Sav-On will also use the three-digit code for items under 2 in. wide.

The three-digit code will be keyed into the register, not read by the scanner.

Although scanners are now being tested in five drug chains in Marion, Ind., and Pittsfield, Mass. (Revco, Hook, CVS, Peoples and Adams), these installations were developed and financed by a Chicago-based market research firm, which is using the information to develop product movement studies for its commercial clients. Movement reports are also being made available.

Airline ticket promotions to lift camera sales

By Clifford Feng

NEW YORK—Will drug chains benefit from a tag team square-off between the nation's largest instant camera manufacturers and two of the largest air carriers between the North and the Sunbelt?

Most drug chain camera buyers are betting the answer is yes.

They anticipate that airline ticket promotions being offered by Kodak and Polaroid will boost sales of instant cameras.

Under the promos, a purchaser of one of several selected instant camera models will receive a coupon entitling him to a free airline ticket after paying for one ticket at full price.

"We expect to sell out this year," predicted Bob Breslin, camera buyer at Genovese Drug Stores. "I think enough people are flying today that when they consider the cost of the instant camera, they will get behind it and buy one."

Gray Drug Fair's photo merchandise manager, Randy Schulkers, agreed. "I think both programs have the potential of being dynamic promotions."

Polaroid's offer is to purchasers of its 600 series of cameras and is being held in conjunction with Delta Air Lines. Kodak's promotion, tied in with Eastern Airlines, is available to customers who buy its Kodamatic 960, 970L and 980L instant cameras; Kodamatic Champ camera and 2-packs of Kodamatic film, or four or more packs of Kodak instant film in a single purchase.

Genovese Drug, which sells both Polaroid and Kodak instant cameras, is featuring the products and promo offers in four circular ads that started at the end of November. Breslin said he would not be surprised if "many people buy the camera as a Christmas gift, but keep the coupons for themselves."

Gray Drug Fair's Schulkers said the promotions will generate excitement in the category because consumers are accustomed to taking advantage of other free flight offers. "I experienced the popularity of Eastern's free flight coupons," he said.

Walgreens is also participating in both programs, but a spokesman for the Deerfield, Ill.-based chain said it was too early to estimate consumer reaction.

At Perry Drug, which ran a November ad announcing the Polaroid offer, buyer Pat Teeley said, "It will definitely help sales, but the question is to what degree." She said instant camera sales have been soft for two years, and wondered whether hard-pressed Michigan consumers could afford a camera, much less buy the initial airline ticket.

Ribordy Drug featured the Polaroid promotion in a Nov. 28 ad and the Kodak offer on Dec. 12. "It should help the instant camera category because it seems all the money being spent on cameras is being used to buy Kodak's Disc," observed buyer Marc Paul.

To qualify consumers must purchase one of the Polaroid cameras before Jan. 31, 1983. The deadline set by Kodak is Jan. 7, 1983.

News in brief

Walgreens plans 80 new stores for '83

DEERFIELD, Ill.—Walgreens, on an expansion track after opening 71 stores in 1982, plans to keep up this pace in fiscal 1983. Plans call for an addition of 80 new stores for the chain, which broke the $2 billion mark in 1982. The company's recently published annual report also noted that Walgreens will remodel 60 existing units and will be "aggressively pursuing quality acquisitions as well."

At fiscal year end, Walgreens operated 883 drug stores, 157 in-store restaurant units and 69 separately located restaurants.

Longs earnings drop 19% in 3rd qtr.

WALNUT CREEK, Calif.—Longs Drug Stores reported that pressures on gross margins from customer selectivity was a major factor in a 19% drop in net earnings for the third quarter ended Oct. 28. Sales for the period rose 11.5% to $272.2 million from $244.1 million last year.

Net income for the quarter declined to $6.3 million, or 60¢ per share, from $7.5 million, or 71¢ per share, last year. Last year's earnings, however, included an after-tax gain of $786,000, or 7¢ per share, from the sale of land.

For the nine months, sales increased to $799.9 million from $721.5 million. Net earnings dipped to $21.1 million, or $2 per share, from $21.6 million, or $2.04 per share, but last year's figures included a net gain of $1.3 million, or 12¢ per share, from the land sale.

Reye Syndrome warning labels on hold

WASHINGTON—The National Association of Chain Drug Stores and the National Wholesale Druggists' Association both withdrew support for the controversial new voluntary Reye Syndrome warning labels for aspirin products.

Both associations said their support was "premature" after the American Academy of Pediatrics reversed its earlier statements about the link between salicylate-containing OTC drugs and Reye Syndrome in children, saying "the evidence is not nearly clear enough."

Meanwhile, Health and Human Services Secretary Richard Schweiker indicated that his department plans to re-examine its position regarding the need for mandatory labels.

NACDS to distribute Rx school grants

ALEXANDRIA, Va.—The NACDS will distribute $15,220 in research grants among pharmacy schools at the University of Texas at Austin, Ohio State University and the Philadelphia College of Pharmacy and Science.

Robert J. Bolger, NACDS president, said, "NACDS has long advocated an increased emphasis on pharmacy administration within pharmacy schools. It is our hope that the NACDS grant program will stimulate faculty interest in research in the area of pharmacy management and administration."

Winner of Nostalgia Quiz # 14 chosen

Barry Boudreaux of K&B Drugs is the $100 winner in *Drug Store News'* Nostalgia Quiz # 14. The correct answer was oranges, eggs and milk. Nostalgia Quiz # 17 can be found on page 57 of this issue.

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Year-end, final-quarter profits show increase for Peoples chain

ALEXANDRIA, Va.—Tighter expense controls and increased market penetration were credited for sizable gains in year-end and fourth quarter net income reported by Peoples Drug Stores.

The 563-store chain reported net income for the fiscal year ended Sept. 25 rose 13% to $10.5 million, or $2.09 per share, compared to $9.3 million, or $1.91 per share, in fiscal 1981. Sales for fiscal 1982 increased 9% to $688.4 million compared with $634.3 million last year.

For the fourth quarter, net income increased 17% to $2.9 million, or 57¢ per share, compared to $2.5 million, or 50¢ per share, in the same period last year. Per share figures are adjusted to reflect a 5-for-4 stock split announced Oct. 6.

Sales for the fourth quarter rose 14% to $162.8 million compared to $143.2 million in the prior year period.

Peoples Drug president and ceo Sheldon Fantle told *Drug Store News* that bigger market shares and effective cost control measures, as well as unusually heavy prescription volume during the month of September, contributed to the favorable year.

"I think a key factor in our performance has been the fact that we are getting a bigger and bigger share of market in those areas where we operate," he said. A more aggressive chain-wide promotion in the last month of the fourth quarter also helped fourth quarter sales and earnings outpace last year.

Fantle said prescription volume in Peoples stores remained steady during that past year, but dollar volume increased 2% due to strong price inflation on many Rx products. "Our unit count was flat, but the dollars actually increased due to inflation," he said.

SupeRx chooses combo model

A full-service pharmacy in the left front corner serves as the anchor of the drug store portion of the new store.

The new SuperX prototype, small by traditional food/drug combo standards, contains a broad mix designed to meet almost every customer's taste, as evidenced by this natural foods center.

An expanded "cheese shoppe" is among several "mini-stores" within SuperX's food/drug combo prototype. Others include floral, bakery, deli, seafood, meat and wine.